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Approved For Release 2002/06/11 : CIA-RDP66B00728R000400060013-6

DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON 25, D.C.

OSA-3792-64  
#1340



REPLY TO  
ATTN OF:

SUBJECT:

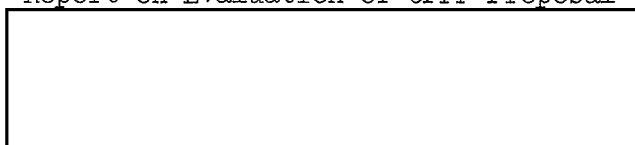
TO:

REPLY TO:  
Auditor General Representative (APL)  
P. O. Box 8155  
S. W. Station  
Washington, D. C.

17 August 1964

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SUBJECT: Report on Evaluation of CPFF Proposal



DOCUMENT NO. \_\_\_\_\_  
NO CHANGE IN CLASS. ☒  
☐ DECLASSIFIED  
CLASS. CHANGED TO: TS S C 2011  
NEXT REVIEW DATE: \_\_\_\_\_  
AUTH: HR 10-2  
DATE: 10/8/81 REVIEWER: 064540

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TO : Contracting Officer

Ref : 27 July 1964 DE-034-64 Request re   
17 July 1964 Quote IM 1113-42-(1)

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1. An evaluation has been performed of the contractor's proposal for an including estimated cost and fixed fee ( of estimated cost). original quote approximating was revised downward to the amount during initial technical/contract negotiations. Therefore, due to the significant condensation of estimated cost, the evaluation was limited to a review of the labor, overhead and other rates used by in estimating their proposal.

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2. The auditor's comments follow:

a. Labor man-day rates are the currently approved bid rates. Labor hours have been significantly reduced.

b. Material is considered acceptable as the auditor feels that any excesses in estimated costs have been eliminated in the prior significant reductions.

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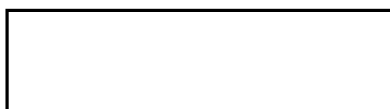
c. Overhead, IME, IR&D, and G&A are accepted as the currently approved bid rates. The of material is half the currently approved rate of . Based on the foregoing, the current estimated cost proposal of is recommended for acceptance. The fixed fee rate of is deferred to the contracting officer for his consideration.

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Auditor General Representative (APL)

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DE-034-64

27 July 1964

in office  
Dear Bill and Art:

In accordance with my telephone conversation with Art on 27 July 1964 I am enclosing a copy of [ ] I understand that you will decide who will handle this from an audit standpoint.

The first proposal came in at about [ ] dollars. At a first meeting in [ ] a week ago the company was informed that this was entirely beyond the scope of anything envisioned and accordingly certain reductions were made in the work to be performed and the Contractor re-submitted at [ ] (CPFF). At a meeting in [ ] last week further reductions were made in the material breakout as indicated by the revised figures. As a result it would appear that we are now talking about a total estimated cost of [ ] plus fixed fee.

In view of the rather substantial compression of the work scope there is probably not much more that can be done in terms of negotiating this downward any further but that remains to be seen. In any event would certainly appreciate an analysis of the cost breakdown with particular reference to overhead rates and any other areas that you would like to get into. The breakout of costs does not give labor rates so this is an area that can be checked out as well.

[ ] will be closed until 10 August 1964. During this time no productive work will be done on the program but we could perhaps use this time to finalize the quote. [ ] is waiting for a call from me indicating the amount of money which he must allocate for this job. It is my intention to call [ ] and attempt to come to some general agreement as a basis for authorizing the company to proceed subject to negotiation of the costs.

We have a peculiar security situation in that only [ ] and [ ] will be aware of the customer. As soon as a clearance can be obtained we will also brief [ ] Head of the Finance and Accounting part of the organization. Accordingly if anyone from Headquarters plans to check out the audit through [ ] the security factors should be kept in mind. [ ] is aware of this situation. All of the engineering staff at [ ] assume that this is a contract with [ ] and this is the approach which we will take at least through the initial stage of the work. So to re-emphasize only [ ] will be aware of the customers identity. At the present time even [ ] is not aware of this fact and we plan to have [ ] alert him to this fact.

After you have had a chance to look at the proposal perhaps you could give me a call to discuss any further approach to this proposed contract.

Sincerely,

Art

P.S. The work involves application of known principles; however, there is an extremely tight delivery schedule and the technical representatives have indicated that they need maximum flexibility because of the urgency of the project and its overall sensitivity. For this reason I think we may attempt a CPIF contract basis with the incentive on meeting the delivery date.

UT 846  
Negotiated one  
ann

DE-064-64

21 October 1964

## MEMORANDUM FOR THE RECORD

SUBJECT: Contract UT-846 with [REDACTED]  
[REDACTED]

1. A meeting was conducted with [REDACTED] Government, and [REDACTED] gave [REDACTED] a more detailed security briefing after which [REDACTED] and [REDACTED] reviewed the principal factors of the work being performed under the contract, including the necessity of preventing any publicity with respect to the [REDACTED]. The other specific point emphasized was the critical need for the equipment and the 10 January 1965 partial delivery to be followed on 10 March 1965 by the delivery of the complete system.

2. The cost and fee had already been agreed to and this was inserted in the contract at the meeting and the contract turned over to [REDACTED] for review. It was agreed as follows that:

- a. The [REDACTED] allotted would be amended to indicate the period of performance for the allotted funds.
- b. [REDACTED] would discuss the inclusion of Section D of the Basic [REDACTED] Agreement.
- c. [REDACTED] would determine whether the quote included funds for FOB shipment to Palo Alto.
- [REDACTED] indicated the possibility that <sup>Division</sup> Material aircraft could be utilized to ship the equipment.
- d. [REDACTED] agreed to provide us with a cost breakdown for ten man-days of field engineering services as required by [REDACTED].
- e. It was agreed the contract would be amended to identify the specific area of sensitivity of the product.
- f. It was agreed that recent changes to the work statement would be covered by amendment.

3. Following the contractual review [REDACTED] met with [REDACTED] at which time [REDACTED] again emphasized the sensitivity of [REDACTED] and pointed out to [REDACTED] there could be no publicity or disclosure of any

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kind on this part. He also discussed the sensitivity of the identity of the sponsor. [ ] agreed to meet with the project engineer to make these points clear not, however, to include the sponsor's identify.

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[ ] emphasized the critical delivery dates of 10 January and 10 March 1965. [ ] asked that the Headquarters Technical Representative alert him at any time when he felt the work involved a delay. [ ] assured us that he would assist us in any way to get the work accomplished on time.

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4. [ ] agreed to process the contract for signature and return it to us at the earliest possible date.

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[ ]

Contracting Officer

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1. Clearance OK on [ ] but only for identity of sponsor

2. Sept 4 -  
Called [ ] -  
OK'd [ ] per agreement with Rod.

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Agreed to amend Notice to Proceed to cover 10 Aug effective date

Asked for 2 copies Basic Agreement

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Offered fee [ ] in lieu 79 - costs  
fee  
offer CPFF [ ]

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Asked for incentive on time  
[ ] limit still OK

3. Mark asked for priority to cover  
23 Pin Modulators (Hewlett Packard) HP-8732B  
26 " " " " HP-8733B } [ ]

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[ ] P.O. 212-7F-0013J dated Sept 4

4.

[ ]

asks for - Bar Chart (Basic elements & time sked)  
Forecast of costs  
weekly report tech & money

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5-

[ ]

33(657) 13735 factstopped by [ ]

[ ]

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DX-A7 priority filing assigned -  
Passed to [ ] Sept 8.

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6.

[ ]

- sending [ ] - incentive ? new charges

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UT-846

DE-075-64

19 November 1964

Dear Jim:

Your memo of 13 November 1964 has been received with the signed copies of Amendment No. 1 together with the other materials you forwarded.

I am sending in the invoice and payment should be forthcoming in the immediate future. With respect to paragraph 5b of your memo, I agree that the reference to Part VII should be Part VI. Would you just make that correction on your copy of the amendment and I will do the same with the original and the remaining copies.

Your interpretation of Part II, "Delivery", is correct as stated in paragraph 5a of your memo of 13 November.

Very truly yours,



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DE-062-64

20 October 1964

Dear Paul:

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I am enclosing a copy of [ ] breakdown for ten man-days of engineering services which looks OK to me. When you are able to secure the money for this as well as the money for the range cursor [ ] I can amend the contract to include these items.

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I am also enclosing a copy of [ ] expenditure and commitment report for the period ending 27 September 1964. You will note that total expenditures and commitments are [ ] through 27 September. I have a current limitation of [ ] allotted to the contract. I have asked [ ] to add to his next monthly expenditure report an estimate of expenditures and commitments through 31 December 1964 plus an estimate of expenditures and commitments to complete the job.

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Earl called me on 19 October 1964 to alert us to the fact that a potential security problem exists due to the fact that [ ] apparently has the impression that the work in the plant is unclassified. As you will remember Rod clearly advised [ ] that work in the plant would be DOD Secret. Apparently [ ] misinterpreted this when passing on instructions to [ ] Rod will contact [ ] today to straighten this out.

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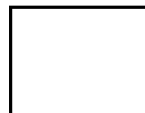
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Sincerely,



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Attachment

NOTE: Will you ask your secretary, Carol, to check again for the additional money required on the [ ] contract that I am handling for Wayne. We are unable to amend his contract until we have been notified that these additional funds are available.

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*Contract*  
*2 PL*

October 15, 1964

Dear Art:

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Enjoyed our meeting the other day and hope to have [ ] sign the contract early next week because he is out of town today and tomorrow.

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As was requested on Tuesday, I am submitting an analysis of estimated cost for supplying ten man days of Engineering services. This quotation is on a CPFF basis with a total cost of [ ] a fee of [ ] making a total selling price of [ ]

The contract contemplates that we will provide monthly reports of expenditures and commitments of funds under the contract. I have attached two copies of the type of report we issue internally on all of our programs. Please let me know if this report will be satisfactory for your purposes.

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Very truly yours,

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Next 1 Page(s) In Document Exempt